

News from the FPPC



California Fair Political Practices Commission
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FPPC to State and Legislative Employees: Nothing Preventing You from Receiving No-Interest Loans *Political Reform Act allows all banks to make budget-gap loans*

State employees can receive interest-free loans during the current budget crisis from any bank willing to make them, according to the Fair Political Practices Commission (FPPC), the state's political watchdog agency. The Commission is informing state and Legislative employees and elected officials that there is nothing within the Political Reform Act (PRA) preventing financial institutions from making interest-free loans to cover any unmet need in the event a budget is not in place prior to the next pay cycle. Employees receiving these loans do not have to report them as a gift, unless the bank providing the loan has not made the same offer to all state employees.

"State employees are dealing with enough uncertainty right now: the last thing they need are unanswered questions or conflicting information about their ability to receive interest-free loans from their financial institutions," said FPPC Chairman Dan Schnur. "Let me be absolutely clear: **all banks** can offer, and **all state employees** can accept, these loans. As long as your financial institution offers interest-free loans to all state employees under the same conditions and restrictions, then the forgiven interest portion of a loan to you is not a reportable gift."

In a recent [advice letter](#) to the Senate Banking, Finance & Insurance Committee, FPPC staff relayed that discounts "uniformly offered to all state employees" are not reportable gifts. One way for state and Legislative employees to make certain that the forgiven interest portion of a loan is not a reportable gift is to first ask their financial institution if they are making interest-free loans available to all state employees, under all of the same conditions and restrictions. If additional questions arise, they can contact the FPPC's toll-free advice line at 1-866-ASK-FPPC (1-866-275-3772).

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